MANAGEMENT CONTROL EVALUATION CERTIFICATION STATEMENT	1. REGULATION NUMBER DFAS-IN Reg 37-1 (Chapter 9)
For use of this form, see AR 11-2; the proponent agency is ASA(FM).	2. DATE OF REGULATION Jan 2000

3. ASSESSABLE UNIT
Directorate of Morale, Welfare, and Recreation

4. FUNCTION
Lodging, Authorized Process for Direct Purchases from Prime Vendors

5. METHOD OF EVALUATION *(Check one)*

X	a. CHECKLIST	b. ALTERNATIVE METHOD *(Indicate method)*

APPENDIX *(Enter appropriate letter)*

6. EVALUATION CONDUCTED BY

a. NAME (Last, First, MI) Bowers, Karen J.	b. DATE OF EVALUATION 6 Feb 2007

7. REMARKS (Continue on reverse or use additional sheets of plain paper)

Key management controls were tested by direct observation, file/documentation review, and sampling.

No material weaknesses were found during this evaluation period.
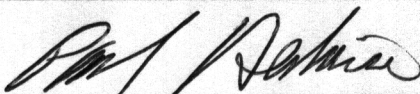
8. CERTIFICATION

I certify that the key management controls in this function have been evaluated in accordance with provisions of AR 11-2, Army Management Control Process. I also certify that corrective action has been initiated to resolve any deficiencies detected. These deficiencies and corrective actions *(if any)* are described above or in attached documentation. This certification statement and any supporting documentation will be retained on file subject to audit/inspection until superseded by a subsequent management control evaluation.

a. ASSESSABLE UNIT MANAGER

(1) Typed Name and Title Paul A. Heilman Director of Morale, Welfare, and Recreation	b. DATE CERTIFIED
(2) Signature	7 mar 07

DA FORM 11-2-R, JUL 94   EDITION OF JAN 94 IS OBSOLETE   USAPPC V 2.00

AUTHORIZATION PROCESS FOR DIRECT PURCHASES FROM PRIME VENDORS

Task: Evaluate the organization's controls and procedures designed to prevent unauthorized purchases from Prime Vendors. Recommend applying the GAO internal control principle of "separation of duties" when establishing procedures and controls for prime vendor purchasing (i.e., a separate party approves all prime vendor purchases before they are initiated.). Financial policy requires all organizations to establish internal controls in this area. For more information: DFAS-IN REGULATION 37-1 (CHAPTER 9)

Background: Past IMA evaluations of garrison activities discovered that without proper controls in this area, activities may directly order from a prime vendor without the certifying approval of a proper authority (e.g. approval of the Director Resource Management, the Division Chief, Garrison Commander, etc.). During FY05, an evaluation uncovered a situation where a mission activity at one installation in the Northwest Region had purchased $17 million worth of supplies and equipment from the prime vendor (i.e., Defense Logistics Agency) without proper approval. During FY04, an evaluation in the Pacific region found that a garrison activity had made improper purchases from a prime vendor (i.e., a designated contractor), which resulted in $278K for supplies being charged to the wrong fiscal year, estimated $156K in wasted time, $82K annually wasted in unnecessary overtime and an estimated $9K annually for unnecessary additional contracted work.

Suggested evaluation questions:

Does the organization have a written policy and procedure that requires staff members to obtain approval from a separate authority prior to making a prime vendor purchase?

Does the written policy/procedure appear to be appropriately applied and executed by staff?

Are budget analysts assigned to track and execute funding for all direct prime vendor purchases IAW DOD financial policy?

If the prime vendor purchase procedure is outlined within a contract statement of work (SOW), are the applicable parties within your organization following the SOW procedures correctly, and is the appropriate party enforcing the SOW?
Give 2-3 examples:

From your evaluation, do you find that your organization overall is making only authorized prime vendor purchases?

Evaluator: _KAREN J. BOWERS_   Title: _LODGING MGR_

Signature: _Karen Bowman_   Date: _6 Jul 07_

<u>Describe how evaluation was conducted.</u>

List and attach documentation that illustrates the evaluation (e.g., datacall memo and responses; samples of data; interview notes; memos for record; email messages; ISR data; PMR results; audit report; etc:)

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